

analysis, being rendered by such companies. This Uniform System of Accounts is not applicable to gas or electric utility companies, or companies primarily engaged (1) in production of goods, including exploration and development of fuel resources, (2) in the provision of water, telephone, or similar services, the sale of which is normally subject to public rate regulation, (3) in provision of transportation, whether or not so regulated, or (4) in the ownership of property, including leased property and fuel reserves, for the use of associate companies.

(b) It has been the Commission's task to provide a system comprehensive enough to cover the traditional services and the present services being performed by such companies, yet elastic enough to permit adaptation to varying requirements; a system which, faithfully applied, will provide information essential in the administration of section 13 of the Public Utility Holding Company Act of 1935, will be workable and reasonably simple from an operating viewpoint, and free from unnecessary complexities or burdensome requirements which might render it incompatible with the interests of investors or consumers.

(c) This Uniform System of Accounts requires the service company to (1) design subaccounts and keep memorandum and time records to facilitate the preparation of reports and statements required by regulatory commissions and the conduct of audit and account inspection programs, (2) establish a work order system to accumulate reimbursable costs and charges to customers, and (3) account for compensation for use of capital, if paid.

(d) Credits to the accounts or memorandum records may be made upon the basis of estimated costs to associate companies which shall conform as nearly as may be practicable to actual costs: *Provided*, That at stated intervals adjustments of the estimated costs to actual costs shall be made. Invoices to associate companies shall clearly indicate any adjustments to estimated cost previously billed. Such adjustments may be made at intervals during the fiscal year, but final adjustments shall be made at the end of such year. Overbillings or underbillings arising

from these adjustments shall be cleared through the appropriate account and offset by adjustments to other accounts involved.

(e) The "expense" accounts provided have been designed to show the cost of each general class of service furnished by the service company and with a view toward securing an equitable allocation thereof to the associate companies served.

(f) Consideration was given in the preparation of this system to the necessity of providing for a more detailed classification of service costs in order to permit these costs to be identified with the functional processes of the associate companies served. In this connection, each service company shall maintain a work order system for accumulating reimbursable costs and charges to customers and maintain time records for all service company employees in order to support the accounting allocation of all expenses assignable to the types of services performed and chargeable to the companies served.

(g) It is believed that the results to be obtained from the system now prescribed, together with the more detailed information to be called for in the annual reports, will provide a better basis for identifying cost than is presently available.

§ 256.01-1 Companies for which this system of accounts is prescribed.

(a) This Uniform System of Accounts is designed for use by: (1) Any company operating, or organized to operate, as a mutual service company under the provisions of section 13 of the Public Utility Holding Company Act of 1935, and (2) any subsidiary company whose organization and conduct of business the Commission has found to meet the requirements of section 13(b) of the Public Utility Holding Company Act of 1935, with respect to the performance of services or construction work for, or the sale of goods to, associate companies.

(b) This Uniform System of Accounts is not applicable to gas or electric utility companies; or companies primarily engaged (1) in production of goods, including exploration and development of fuel resources, (2) in the provision of

Securities and Exchange Commission

§ 256.01-3

water, telephone, or similar services, the sale of which is normally subject to public rate regulation, (3) in provision of transportation, whether or not so regulated, or (4) in the ownership of property, including leased property and fuel reserves, for the use of associate companies.

§ 256.01-2 Application to service companies doing business with non-associate companies.

While this Uniform System of Accounts is designed for companies whose principal business is the performance of services or construction for associate companies at cost, it contemplates situations in which the service company may perform service or construction for nonassociate companies in transactions in which charges are not limited to cost. In recognition of such charges account 458-4 is included in the "Income" group for "Excess or deficiency on servicing nonassociate companies." A deficiency incurred in a project deemed beneficial to the associate companies may be charged to associate companies subject to disallowance by a State or Federal Commission having jurisdiction over the rates or services of such associates. To the extent not so chargeable, or if disallowed, such a deficiency will be charged to account 458-4. In computing charges to associate companies for any fiscal year, any net credit in this account must be deducted from amounts reimbursable by associate companies as compensation for use of capital invested in the service company.

§ 256.01-3 General structure of accounting system.

(a) The accounts provided herein are in two general categories: Balance sheet accounts and income and expense accounts. Subsidiary accounts are provided for the details of account 101, Service company property.

(b) The income and expense accounts include, under separate divisions, accounts for recording the revenue or income earned or received and also appropriate accounts for all expenses of operation, maintenance, taxes, interest, all elements of cost allocable to the service performed, and compensa-

tion for the use of capital. Appropriate subdivisions or subaccounts should be provided for each service company department or division.

(c) All disbursements and expenses of the service company for service performed for associate companies are recoverable from such companies. In the interest of minimizing questions as to the propriety of charges for reimbursement, each service company shall maintain a work order system for accumulating all costs. To the maximum extent possible, such costs shall be accumulated by direct charges. All employees, including officers, of the service company shall keep, within reasonable cost benefit standards, time records which permit ready identification of the hours worked, account numbers charged, department work order number and other code designations that facilitate proper classification.

(d) The numbers to the right of the decimal point in most cases correspond with the respective account numbers in the Uniform System of Accounts for Public Utilities and Licensees (18 CFR Part 101) of the Federal Energy Regulatory Commission and shall be considered as parts of the account titles. Each service company, however, may adopt for its own purposes a different system of account numbers provided that the account numbers herein prescribed shall appear in the descriptive headings of the ledger accounts and, if practicable, on original source documents. Service companies adopting a different system of account numbers for their own purposes shall keep readily available a list which indicates its account numbers and the corresponding account numbers provided herein. Records of service companies shall be maintained in a manner permitting ready analysis by prescribed accounts (with direct reference to the source of each item in the books of original entry) and permitting preparation of financial operating statements directly from such records at the end of each accounting period.